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ABSTRACT

The escalating cost of higher education is causing many to question the value of continuing education beyond high school. To determine whether higher education is worth the investment, it is useful to examine what is known about the value of higher education and the rates of return on investment to both the individual and society. There is considerable support for the idea that the rate of return on investment in higher education is high enough to warrant the financial burden associated with pursuing a college degree. Statistics on the earnings discrepancy between high school graduates and college graduates indicate the value of a college education. College graduates enjoy benefits beyond increased income, such as increased personal and professional mobility, improved quality of life for their offspring, and more leisure activity. Research has also shown a positive correlation between completion of high school education and good health, and a number of studies have shown a high correlation between higher education and cultural and family values. Research also suggests that students of modest ability or uncertain motivation would do well to enroll in two-year colleges, and that those who choose to enroll in four-year colleges should do everything in their power to graduate. (Contains 10 references.) (SLD)

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DIGEST

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The Value of a College Degree

By Kathleen Porter

Introduction

The escalating cost of higher education is causing many to question the value of continuing education beyond high school. Many wonder whether the high cost of tuition, the opportunity cost of choosing college over full-time employment, and the accumulation of thousands of dollars of debt is, in the long run, worth the investment. The risk is especially large for low-income families who have a difficult time making ends meet without the additional burden of college tuition and fees.

In order to determine whether higher education is worth the investment, it is useful to examine what is known about the value of higher education and the rates of return on investment to both the individual and to society.

The economic value of higher education

There is considerable support for the notion that the rate of return on investment in higher education is high enough to warrant the financial burden associated with pursuing a college degree. Though the earnings differential between college and high school graduates varies over time, college graduates, on average, earn more than high school graduates. According to the Census Bureau, over an adult's working life, high school graduates earn an average of $1.2 million; associate's degree holders earn about $1.6 million; and bachelor's degree holders earn about $2.1 million (Day and Newburger, 2002).

These sizeable differences in lifetime earnings put the costs of college study in realistic perspective. Most students today— about 80 percent of all students—enroll either in public 4-year colleges or in public 2-year colleges. According to the U.S. Department of Education report, *Think College Early*, a full-time student at a public 4-year college pays an average of $8,655 for in-state tuition, room and board (U.S. Dept. of Education, 2002). A full-time student in a public 2-year college pays an average of $1,359 per year in tuition (U.S. Dept. of Education, 2002).

These statistics support the contention that, though the cost of higher education is significant, given the earnings disparity that exists between those who earn a bachelor's degree and those who do not, the individual rate of return on investment in higher education is sufficiently high to warrant the cost.

Other benefits of higher education

College graduates also enjoy benefits beyond increased income. A 1998 report published by the Institute for Higher Education Policy reviews the individual benefits that college graduates enjoy, including higher levels of saving, increased personal/professional mobility, improved quality of life for their offspring, better consumer decision making, and more hobbies and leisure activities (Institute for Higher Education Policy, 1998). According to a report published by the Carnegie Foundation, non-monetary individual benefits of higher education include the tendency for postsecondary students to become more open-minded, more cultured, more rational, more consistent and less authoritarian; these benefits are also passed along to succeeding generations (Rowley and Hurtado, 2002). Additionally, college attendance has been shown to "decrease prejudice, enhance knowledge of world affairs and enhance social status" while increasing economic and job security for those who earn bachelor's degrees (Ibid.)

Research has also consistently shown a positive correlation between completion of higher education and good health, not only for oneself, but also for one's children. In fact, "parental schooling levels (after controlling for differences in earnings) are positively correlated with the health status of their children" and "increased schooling (and higher relative income) are correlated with lower mortality rates for given age brackets" (Cohn and Geske, 1992).

The social value of higher education

A number of studies have shown a high correlation between higher education and cultural and family values, and economic growth. According to Elchanan Cohn and Terry Geske (1992), there is the tendency for more highly educated women to spend more time with

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their children; these women tend to use this time to better prepare their children for the future. Cohn and Geske (1992) report that "college graduates appear to have a more optimistic view of their past and future personal progress."

Public benefits of attending college include increased tax revenues, greater workplace productivity, increased consumption, increased workforce flexibility, and decreased reliance on government financial support (Institute for Higher Education Policy, 1998).

College attendance versus college completion

In their report, *College for All? Is There Too Much Emphasis on Getting a 4-Year College Degree?* Boesel and Fredland estimate that around 600,000 students leave 4-year colleges annually without graduating. These noncompleters earn less than college graduates because they get fewer years of education. More surprising, they tend to earn less than or the same amount as 2-year college students who have as much education. Furthermore, 2-year college students show about the same gains in tested cognitive skills for each year of attendance as 4-year college students. Students at 4-year colleges also pay more in tuition and are more likely to have student loan debts than 2-year students (Boesel and Fredland, 1999, p. viii). The authors conclude that high school graduates of modest ability or uncertain motivation—factors that increase their chances of leaving college before graduation—would be well-advised to consider attending 2-year, instead of 4-year, colleges. If they did, they would probably realize the same earnings and cognitive skill gains at lower cost and with less debt. In order to maximize the return on their time and monetary investment, students who do choose to enroll in 4-year colleges should do everything in their power to graduate. (Boesel and Fredland, 1999, p.ix).

Conclusion

While it is clear that investment in a college degree, especially for those students in the lowest income brackets, is a financial burden, the long-term benefits to individuals as well as to society at large, appear to far outweigh the costs.

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